

CITY OF MURRAY, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2019

CITY OF MURRAY, IOWA
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CITY OF MURRAY, IOWA
OFFICIALS
June 30, 2019

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Scott Busick	Mayor	January, 2020
Jeannie Crees	Mayor Pro Tem	January, 2020
Kristi Frederick	Council Member	January, 2020
Lois Hamilton	Council Member	January, 2022
Richard Hays	Council Member	January, 2022
Jeff Robbins	Council Member	January, 2020
Denise Arnold	City Administrator/City Clerk	Indefinite

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Murray, Iowa, as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Honorable Mayor and
Members of the City Council

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Murray as of June 30, 2019, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Murray's basic financial statements. The supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 22 through 27, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

To the Honorable Mayor and
Members of the City Council

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 28, 2020 on our consideration of the City of Murray's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Murray's internal control over financial reporting and compliance.

Carne WM, Dear, Kym + W.P.C.

Atlantic, Iowa
December 28, 2020

CITY OF MURRAY, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

As of and for the year ended June 30, 2019

		<u>Program Receipts</u>	
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
Functions/Programs:			
Governmental activities:			
Public safety	\$ 45,076	\$ --	\$ --
Public works	118,383	--	97,666
Culture and recreation	73,025	--	11,662
Community and economic development	--	--	5,000
General government	204,907	388	--
Capital projects	<u>21,070</u>	<u>--</u>	<u>--</u>
Total governmental activities	<u>462,461</u>	<u>388</u>	<u>114,328</u>
Business type activities:			
Water	2,695,200	195,055	--
Sewer	83,290	81,511	--
Storm water	763,395	24,663	--
Solid waste	<u>99,371</u>	<u>103,158</u>	<u>--</u>
Total business type activities	<u>3,641,256</u>	<u>404,387</u>	<u>--</u>
Total	<u>\$ 4,103,717</u>	<u>\$ 404,775</u>	<u>\$ 114,328</u>
General Receipts:			
Property tax levied for:			
General purposes			
Employee benefits and emergency			
Local option sales tax			
Unrestricted interest on investments			
Bond proceeds			
Miscellaneous			
Total general receipts			
Change in cash basis net position			
Cash basis net position beginning of year			
Cash basis net position end of year			

(continued next page)

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
\$ --	\$(45,076)	\$ --	\$(45,076)
--	(20,717)	--	(20,717)
136,491	75,128	--	75,128
--	5,000	--	5,000
--	(204,519)	--	(204,519)
--	(21,070)	--	(21,070)
136,491	(211,254)	--	(211,254)
809,910	--	(1,690,235)	(1,690,235)
--	--	(1,779)	(1,779)
168,828	--	(569,904)	(569,904)
--	--	3,787	3,787
978,738	--	(2,258,131)	(2,258,131)
<u>\$ 1,115,229</u>	(211,254)	(2,258,131)	(2,469,385)
	129,686	--	129,686
	54,020	--	54,020
	115,939	--	115,939
	7,381	857	8,238
	--	2,398,190	2,398,190
	71,948	--	71,948
	<u>378,974</u>	<u>2,399,047</u>	<u>2,778,021</u>
	167,720	140,916	308,636
	<u>1,078,227</u>	<u>617,243</u>	<u>1,695,470</u>
	<u>\$ 1,245,947</u>	<u>\$ 758,159</u>	<u>\$ 2,004,106</u>

CITY OF MURRAY, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION - Continued

As of and for the year ended June 30, 2019

		<u>Program Receipts</u>
	<u>Disbursements</u>	<u>Charges for Service</u>
		<u>Operating Grants, Contributions, and Restricted Interest</u>
Cash Basis Net Position		
Restricted:		
Expendable:		
Streets		
Debt service		
Capital projects		
Employee benefits		
Other purposes		
Unrestricted		
Total cash basis net position		

The accompanying notes are an integral part of these statements.

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
	\$ 201,544	\$ --	\$ 201,544
	--	57,634	57,634
	529,276	--	529,276
	46,269	--	46,269
	49,332	--	49,332
	<u>419,526</u>	<u>700,525</u>	<u>1,120,051</u>
	<u>\$ 1,245,947</u>	<u>\$ 758,159</u>	<u>\$ 2,004,106</u>

CITY OF MURRAY, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2019

	<u>General</u>	<u>Special Revenue Road Use Tax</u>
Receipts:		
Property tax	\$ 129,686	\$ --
Other city tax	--	--
Licenses and permits	388	33,077
Use of money and property	7,374	--
Intergovernmental	12,150	97,666
Miscellaneous	38,871	--
Total receipts	<u>188,469</u>	<u>130,743</u>
Disbursements:		
Operating:		
Public safety	45,076	--
Public works	--	92,295
Culture and recreation	57,856	--
General government	187,752	--
Capital projects	--	--
Total disbursements	<u>290,684</u>	<u>92,295</u>
Excess (deficiency) of receipts over (under) disbursements	(102,215)	38,448
Other financing sources (uses):		
Transfers in	97,631	--
Transfers out	--	--
Total other financing sources (uses)	<u>97,631</u>	<u>--</u>
Change in cash balances	(4,584)	38,448
Cash balances beginning of year	<u>424,110</u>	<u>163,096</u>
Cash balances end of year	<u>\$ 419,526</u>	<u>\$ 201,544</u>

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<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ 54,020	\$ 183,706
--	115,939	115,939
--	--	33,465
--	7	7,381
--	--	109,816
<u>136,491</u>	<u>4,512</u>	<u>179,874</u>
<u>136,491</u>	<u>174,478</u>	<u>630,181</u>
--	--	45,076
--	26,088	118,383
--	15,169	73,025
--	17,155	204,907
<u>21,070</u>	<u>--</u>	<u>21,070</u>
<u>21,070</u>	<u>58,412</u>	<u>462,461</u>
115,421	116,066	167,720
--	--	97,631
<u>--</u>	<u>(97,631)</u>	<u>(97,631)</u>
<u>--</u>	<u>(97,631)</u>	<u>--</u>
115,421	18,435	167,720
<u>413,855</u>	<u>77,166</u>	<u>1,078,227</u>
<u>\$ 529,276</u>	<u>\$ 95,601</u>	<u>\$ 1,245,947</u>

CITY OF MURRAY, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS - Continued

As of and for the year ended June 30, 2019

	<u>General</u>	<u>Special Revenue Road Use Tax</u>
Cash Basis Fund Balances		
Restricted for:		
Streets	\$ --	\$ 201,544
Capital projects	--	--
Employee benefits	--	--
Other purposes	--	--
Unassigned	<u>419,526</u>	<u>--</u>
Total cash basis fund balances	<u>\$ 419,526</u>	<u>\$ 201,544</u>

The accompanying notes are an integral part of these statements.

<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ --	\$ 201,544
529,276	--	529,276
--	46,269	46,269
--	49,332	49,332
<u>--</u>	<u>--</u>	<u>419,526</u>
<u>\$ 529,276</u>	<u>\$ 95,601</u>	<u>\$ 1,245,947</u>

CITY OF MURRAY, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the year ended June 30, 2019

	Enterprise	
	Water	Sewer
Operating receipts:		
Charges for service	\$ 195,055	\$ 81,511
Total operating receipts		
Operating disbursements:		
Business type activities	137,745	83,290
Total operating disbursements	137,745	83,290
Excess (deficiency) of operating receipts over (under) operating disbursements	57,310	(1,779)
Non-operating receipts (disbursements):		
Interest on investments	681	53
Intergovernmental	809,910	--
Debt proceeds	1,593,826	--
Debt service	(1,378,106)	--
Capital projects	(1,179,349)	--
Net non-operating receipts (disbursements)	(153,038)	53
Excess (deficiency) of receipts over (under) disbursements and change in cash balances	(95,728)	(1,726)
Cash balances beginning of year	359,139	122,862
Cash balances end of year	\$ 263,411	\$ 121,136
Cash Basis Fund Balances		
Restricted for:		
Debt service	\$ 57,634	\$ --
Unrestricted	205,777	121,136
Total cash basis fund balances	\$ 263,411	\$ 121,136

The accompanying notes are an integral part of these statements.

<u>Storm Water</u>	<u>Enterprise Nonmajor - Solid Waste</u>	<u>Total</u>
<u>\$ 24,663</u>	<u>\$ 103,158</u>	<u>\$ 404,387</u>
<u>--</u>	<u>99,371</u>	<u>320,406</u>
<u>--</u>	<u>99,371</u>	<u>320,406</u>
24,663	3,787	83,981
2	121	857
168,828	--	978,738
804,364	--	2,398,190
(361,099)	--	(1,739,205)
(402,296)	--	(1,581,645)
<u>209,799</u>	<u>121</u>	<u>56,935</u>
234,462	3,908	140,916
<u>77,360</u>	<u>57,882</u>	<u>617,243</u>
<u>\$ 311,822</u>	<u>\$ 61,790</u>	<u>\$ 758,159</u>
\$ --	\$ --	\$ 57,634
<u>311,822</u>	<u>61,790</u>	<u>700,525</u>
<u>\$ 311,822</u>	<u>\$ 61,790</u>	<u>\$ 758,159</u>

CITY OF MURRAY, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Murray, Iowa is a political subdivision of the State of Iowa located in Clarke County. It was first incorporated in 1865 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, storm sewer, and solid waste utilities and services for its citizens-

A. Reporting Entity

For financial reporting purposes, the City of Murray has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Murray has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Clarke County Emergency Management Commission, Clarke County Landfill Commission, Clarke County Reservoir Commission, and Murray Development Corporation.

B. Basis of Presentation

Government-wide Financial Statements

The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

CITY OF MURRAY, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds and enterprise funds are aggregated and reported as nonmajor governmental funds and nonmajor enterprise funds, respectively.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Capital Projects Fund is utilized to account for the resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

CITY OF MURRAY, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The City reports the following major proprietary funds:

Enterprise:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Storm Water Fund accounts for the operations and maintenance of the City's storm water system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

CITY OF MURRAY, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2019 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City has no investments meeting the fair value disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

CITY OF MURRAY, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 3 - NOTES PAYABLE

Annual debt service requirements to maturity for the revenue notes are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 28,744	\$ 33,213
2021	29,294	32,663
2022	29,854	32,103
2023	30,427	31,530
2024	31,011	30,946
2025-2029	164,226	145,559
2030-2034	180,692	129,094
2035-2039	198,900	128,885
2040-2044	219,037	90,748
2045-2049	241,322	68,463
2050-2054	265,989	43,797
2055-2059	<u>285,684</u>	<u>16,494</u>
	<u>\$ 1,705,180</u>	<u>\$ 783,495</u>

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,099,000 of water revenue notes issued in September, 2018. Proceeds from the notes provided financing for the construction of improvements to the water system. The notes are payable solely from water customer net receipts and are payable through 2059. Annual principal and interest payments on the notes are expected to be approximately 73% of the net receipts. The total principal and interest remaining to be paid on the notes is \$1,702,076. For the current year, principal and interest paid and total customer net receipts were \$ - 0 - and \$57,310, respectively.

The City has pledged future storm water customer receipts, net of specified operating disbursements, to repay \$610,000 of storm water revenue notes issued in March, 2019. Proceeds from the notes provided financing for the construction of improvements to the storm water system. The notes are payable solely from storm water customer net receipts and are payable through 2059. Annual principal and interest payments on the notes are expected to require less than 27% of net receipts. The total principal and interest remaining to be paid on the notes is \$786,599. For the current year, principal and interest paid and total customer net receipts were \$6,616 and \$24,663, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions.

- a. The notes will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.

CITY OF MURRAY, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 4 - IPERS PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except for members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

CITY OF MURRAY, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 4 - IPERS PENSION PLAN - Continued

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%.

The City's contributions to IPERS for the year ended June 30, 2019 totaled \$12,804.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2019, the City reported a liability of \$110,179 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2018, the City's proportion was 0.001741%, which was an increase of 0.000234% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$14,929, \$29,161 and \$18,356 respectively.

There were no non-employee contributing entities to IPERS.

CITY OF MURRAY, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 4 - IPERS PENSION PLAN - Continued

Actuarial Assumptions - The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rate of salary increase (effective June 30, 2017)	3.25% to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	<u>100%</u>	

CITY OF MURRAY, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 4 - IPERS PENSION PLAN - Continued

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
City's proportionate share of the net pension liability	\$ 186,996	\$ 110,179	\$ 45,741

IPERS' Fiduciary Net Position - Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

NOTE 5 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's liability for earned vacation and sick leave payable to employees at June 30, 2019, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 5,943
Sick Leave	4,926
Total	<u>\$ 10,869</u>

This liability has been computed based on rates of pay in effect at June 30, 2019.

CITY OF MURRAY, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	<u>\$ 97,631</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

NOTE 7 - RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 778 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2019 were approximately \$15,900.

CITY OF MURRAY, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 7 - RISK MANAGEMENT - Continued

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description: The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2019, the City contributed \$42,067 and plan members eligible for benefits contributed \$5,520 to the plan. At June 30, 2019, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits: Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	0
Active employees	<u>2</u>
Total	<u><u>2</u></u>

CITY OF MURRAY, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 9 - SUBSEQUENT EVENTS

Subsequent Events

The City has evaluated all subsequent events through December 28, 2020, the date the financial statements were available to be issued.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Construction Contracts

The City has entered into several construction contracts totaling approximately \$3,356,000 that are still in process as of June 30, 2019. The net remaining amount committed to these contracts is approximately \$1,206,000, which will be paid with existing capital project funds, debt proceeds, local option sales tax revenue, grant proceeds, and donations. Since June 30, 2019, the City has entered into a contract for a street construction project in the amount of \$900,000 as well as a walking trail project in the amount of \$185,000. These projects will be paid with grant proceeds and donations.

NOTE 11 - PROSPECTIVE ACCOUNTING CHANGE

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2020. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

* * *

OTHER INFORMATION

CITY OF MURRAY, IOWA
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL
FUNDS AND PROPRIETRY FUNDS
OTHER INFORMATION

Year ended June 30, 2019

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Total</u>
Receipts:			
Property tax	\$ 183,706	\$ --	\$ 183,706
Other city tax	115,939	--	115,939
Licenses and permits	33,465	--	33,465
Use of money and property	7,381	857	8,238
Intergovernmental	109,816	978,738	1,088,554
Charges for service	--	404,387	404,387
Miscellaneous	179,874	--	179,874
Total receipts	<u>630,181</u>	<u>1,383,982</u>	<u>2,014,163</u>
Disbursements:			
Public safety	45,076	--	45,076
Public works	118,383	--	118,383
Culture and recreation	73,025	--	73,025
General government	204,907	--	204,907
Capital projects	21,070	--	21,070
Business type activities	--	3,641,256	3,641,256
Total disbursements	<u>462,461</u>	<u>3,641,256</u>	<u>4,103,717</u>
Excess (deficiency) of receipts over (under) disbursements	167,720	(2,257,274)	(2,089,554)
Other financing sources, net	<u>--</u>	<u>2,398,190</u>	<u>2,398,190</u>
Excess of receipts and other financing sources over disbursements and other financing uses	167,720	140,916	308,636
Balances beginning of year	<u>1,078,227</u>	<u>617,243</u>	<u>1,695,470</u>
Balances end of year	<u>\$ 1,245,947</u>	<u>\$ 758,159</u>	<u>\$ 2,004,106</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Total Variance
Original	Final	
\$ 178,783	\$ 178,783	\$ 4,923
139,213	139,213	(23,274)
425	425	33,040
4,466	4,466	3,772
1,831,461	1,831,461	(742,907)
480,485	480,485	(76,098)
305,000	310,700	(130,826)
<u>2,939,833</u>	<u>2,945,533</u>	<u>(931,370)</u>
43,400	45,900	824
132,816	132,816	14,433
49,329	77,029	4,004
220,114	220,114	15,207
400,000	400,000	378,930
3,698,676	3,698,676	57,420
<u>4,544,335</u>	<u>4,574,535</u>	<u>470,818</u>
(1,604,502)	(1,629,002)	(460,552)
<u>1,666,000</u>	<u>1,666,000</u>	<u>732,190</u>
61,498	36,998	271,638
<u>1,091,001</u>	<u>1,091,001</u>	<u>604,469</u>
<u>\$ 1,152,499</u>	<u>\$ 1,127,999</u>	<u>\$ 876,107</u>

CITY OF MURRAY, IOWA
NOTES TO OTHER INFORMATION -
BUDGETARY REPORTING

June 30, 2019

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Permanent Funds, and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$30,200. The budget amendment is reflected in the final budgeted amounts.

See accompanying independent auditor's report.

CITY OF MURRAY, IOWA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
OTHER INFORMATION

	<u>2019</u>
City's proportion of the net pension liability	0.001741%
City's proportionate share of the net pension liability	\$ 110,000
City's covered payroll	\$ 131,000
City's proportionate share of the net pension liability as a percentage of its covered payroll	84.12%
IPERS' net position as a percentage of the total pension liability	83.62%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

Note: Amounts are rounded.

See accompanying independent auditor's report.

CITY OF MURRAY, IOWA
SCHEDULE OF CITY CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
OTHER INFORMATION

	<u>2019</u>
Statutorily required contribution	\$ 13,000
Contributions in relation to the statutorily required contribution	<u>(13,000)</u>
Contribution deficiency (excess)	<u>\$ --</u>
City's covered payroll	\$ 135,000
Contributions as a percentage of covered payroll	9.63%

Note: Amounts are rounded.

See accompanying independent auditor's report.

CITY OF MURRAY, IOWA
NOTES TO OTHER INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2019

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

CITY OF MURRAY, IOWA

NOTES TO OTHER INFORMATION - PENSION LIABILITY - Continued

YEAR ENDED JUNE 30, 2019

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

* * *

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

CITY OF MURRAY, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2019

	Special Revenue	
	Local Option Sales Tax	Employee Benefits
Receipts:		
Property tax	\$ --	\$ 54,013
Other City tax	115,939	--
Use of money and property	--	7
Miscellaneous	--	--
Total receipts	<u>115,939</u>	<u>54,020</u>
Disbursements:		
Operating:		
Public works	--	26,088
Culture and recreation	--	2,882
General government	--	17,155
Total disbursements	<u>--</u>	<u>46,125</u>
Excess (deficiency) of receipts over (under) disbursements	115,939	7,895
Other financing uses:		
Transfers out	(97,631)	--
Total other financing uses	<u>(97,631)</u>	<u>--</u>
Change in cash balances	18,308	7,895
Cash balances beginning of year	<u>23,985</u>	<u>38,374</u>
Cash balances end of year	<u>\$ 42,293</u>	<u>\$ 46,269</u>
Cash Basis Fund Balances		
Restricted for:		
Employee benefits	\$ --	\$ 46,269
Other purposes	<u>42,293</u>	<u>--</u>
Total cash basis fund balances	<u>\$ 42,293</u>	<u>\$ 46,269</u>

See accompanying independent auditor's report.

<u>Emergency</u>	<u>Special Revenue</u>	
	<u>Sesquicentennial</u>	<u>Total</u>
<u>Fund</u>		
\$ 7	\$ --	\$ 54,020
--	--	115,939
--	--	7
--	4,512	4,512
<u>7</u>	<u>4,512</u>	<u>174,478</u>
--	--	26,088
--	12,287	15,169
--	--	17,155
<u>--</u>	<u>12,287</u>	<u>58,412</u>
7	(7,775)	116,066
<u>--</u>	<u>--</u>	<u>(97,631)</u>
<u>--</u>	<u>--</u>	<u>(97,631)</u>
7	(7,775)	18,435
486	14,321	77,166
<u>\$ 493</u>	<u>\$ 6,546</u>	<u>\$ 95,601</u>
\$ --	\$ --	\$ 46,269
<u>493</u>	<u>6,546</u>	<u>49,332</u>
<u>\$ 493</u>	<u>\$ 6,546</u>	<u>\$ 95,601</u>

CITY OF MURRAY, IOWA
SCHEDULE OF INDEBTEDNESS
Year ended June 30, 2019

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
Revenue Notes:			
Water SRF Note	September 25, 2015	0.00%	\$ 110,000
Water SRF Note	September 25, 2015	0.00%	110,000
Water SRF Note	September 23, 2016	0.00%	70,000
Water Revenue Note, Series 2018	April 11, 2018	2.25%	1,099,000
Water Revenue Note, Series 2018	September 27, 2018	2.25%	920,000
Water Revenue Note, Series 2018	September 27, 2018	2.38%	179,000
Storm Water Revenue Note, Series 2018	April 18, 2018	2.52%	610,000
Storm Water Revenue Note, Series 2019	March 14, 2019	1.38%	610,000

Total Revenue Notes

See accompanying independent auditor's report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
\$ 92,674	\$ --	\$ 92,674	\$ --	\$ --
110,000	--	110,000	--	--
69,13	--	69,134	--	--
604,174	494,826	1,099,000	--	7,298
--	920,000	--	920,000	--
--	179,000	--	179,000	--
155,637	194,364	350,001	--	4,482
--	610,000	3,820	606,180	2,796
<u>\$ 1,031,619</u>	<u>\$2,398,190</u>	<u>\$1,724,629</u>	<u>\$ 1,705,180</u>	<u>\$ 14,576</u>

CITY OF MURRAY, IOWA
BOND AND NOTE MATURITIES
June 30, 2019

Year ending June 30,	Revenue Notes			
	Water Revenue Note, Series 2018		Water Revenue Note, Series 2018	
	Issued September 27, 2018		Issued September 27, 2018	
	Interest Rate	Amount	Interest Rate	Amount
2020	2.25%	\$ 14,426	2.38%	\$ 2,732
2021	2.25%	14,751	2.38%	2,797
2022	2.25%	15,082	2.38%	2,863
2023	2.25%	15,422	2.38%	2,931
2024	2.25%	15,769	2.38%	3,001
2025	2.25%	16,124	2.38%	3,072
2026	2.25%	16,486	2.38%	3,145
2027	2.25%	16,857	2.38%	3,220
2028	2.25%	17,237	2.38%	3,296
2029	2.25%	17,624	2.38%	3,374
2030	2.25%	18,021	2.38%	3,454
2031	2.25%	18,426	2.38%	3,537
2032	2.25%	18,841	2.38%	3,620
2033	2.25%	19,265	2.38%	3,706
2034	2.25%	19,698	2.38%	3,795
2035	2.25%	20,142	2.38%	3,885
2036	2.25%	20,595	2.38%	3,977
2037	2.25%	21,058	2.38%	4,071
2038	2.25%	21,532	2.38%	4,168
2039	2.25%	22,017	2.38%	4,267
2040	2.25%	22,512	2.38%	4,368
2041	2.25%	23,018	2.38%	4,472
2042	2.25%	23,536	2.38%	4,578
2043	2.25%	24,066	2.38%	4,687
2044	2.25%	24,607	2.38%	4,798
2045	2.25%	25,161	2.38%	4,912
2046	2.25%	25,727	2.38%	5,029
2047	2.25%	26,306	2.38%	5,148
2048	2.25%	26,898	2.38%	5,271
2049	2.25%	27,503	2.38%	5,396
2050	2.25%	28,122	2.38%	5,524
2051	2.25%	28,755	2.38%	5,655
2052	2.25%	29,402	2.38%	5,790
2053	2.25%	30,063	2.38%	5,927
2054	2.25%	30,740	2.38%	6,068
2055	2.25%	31,431	2.38%	6,212
2056	2.25%	32,138	2.38%	6,359
2057	2.25%	32,862	2.38%	6,511
2058	2.25%	33,601	2.38%	6,665
2059	2.25%	34,179	2.38%	6,719
		<u>\$ 920,000</u>		<u>\$ 179,000</u>

See accompanying independent auditor's report.

Revenue Notes		
Storm Water Revenue Note,		
Series 2019		
Issued March 14, 2019		
Interest Rate	Amount	Total
1.38%	\$ 11,586	\$ 28,744
1.38%	11,746	29,294
1.38%	11,909	29,854
1.38%	12,074	30,427
1.38%	12,241	31,011
1.38%	12,410	31,606
1.38%	12,582	32,213
1.38%	12,756	32,833
1.38%	12,932	33,465
1.38%	13,111	34,109
1.38%	13,293	34,768
1.38%	13,477	35,440
1.38%	13,663	36,124
1.38%	13,852	36,823
1.38%	14,044	37,537
1.38%	14,238	38,265
1.38%	14,435	39,007
1.38%	14,635	39,764
1.38%	14,837	40,537
1.38%	15,043	41,327
1.38%	15,251	42,131
1.38%	15,462	42,952
1.38%	15,676	43,790
1.38%	15,893	44,646
1.38%	16,113	45,518
1.38%	16,336	46,409
1.38%	16,562	47,318
1.38%	16,791	48,245
1.38%	17,023	49,192
1.38%	17,259	50,158
1.38%	17,498	51,144
1.38%	17,740	52,150
1.38%	17,985	53,177
1.38%	18,234	54,224
1.38%	18,486	55,294
1.38%	18,742	56,385
1.38%	19,001	57,498
1.38%	19,264	58,637
1.38%	19,531	59,797
1.38%	12,469	53,367
	<u>\$ 606,180</u>	<u>\$ 1,705,180</u>

CITY OF MURRAY, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2019

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Direct:			
U.S. Department of Agriculture:			
Rural Development:			
Water and Waste Disposal Systems for Rural Communities			
Project grant	10.760		\$ 481,923
Direct loan*	10.760		<u>724,256</u>
Total direct			1,206,179
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	16-CF-003	<u>281,672</u>
Total indirect			<u>281,672</u>
Total			<u>\$ 1,487,851</u>

* Outstanding loan balances as of June 30, 2019 were \$1,705,180.

Basis of Presentation -The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Murray under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Murray, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Murray.

Summary of Significant Accounting Policies - Expenditures reported in the Schedule are reported on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate - The City of Murray has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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DAVID A. GINTHER

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Murray, Iowa, as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 28, 2020. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Murray's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Murray's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Murray's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Murray's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Honorable Mayor and
Members of the City Council

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: 19-II-A.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Murray's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2019 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Responses to Findings

The City of Murray's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Murray's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barnes & Bates, Kyhn + Co. P.C.

Atlantic, Iowa
December 28, 2020

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Honorable Mayor and
Members of the City Council

Report on Compliance for Each Major Federal Program

We have audited the City of Murray, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the City of Murray's major federal program for the year ended June 30, 2019. The City of Murray's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Murray's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Murray's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Murray's compliance.

To the Honorable Mayor and
Members of the City Council

Opinion on the Major Federal Program

In our opinion, the City of Murray complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

The management of the City of Murray is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Murray's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Murray's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Brian W. Hall, B.S., CPA, CFE, C.P.A.

Atlantic, Iowa
December 28, 2020

CITY OF MURRAY, IOWA
Schedule of Findings and Questioned Costs
Year ended June 30, 2019

PART I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements. The audit did not disclose any material weaknesses in internal control over financial reporting.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The audit did not disclose any material weaknesses or significant deficiencies in internal control over the major program.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose any audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was CFDA Number 10.760 - Water and Waste Disposal Systems for Rural Communities.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The City of Murray did not qualify as a low-risk auditee.

CITY OF MURRAY, IOWA

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

PART II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

19-II-A Segregation of Duties:

Criteria: Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition: A limited number of people have the primary responsibility for most of the accounting and financial reporting duties.

Cause: The City has a limited number of employees which does not allow procedures to be established to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect: Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation: The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response: We will continue work in this area to increase segregation of duties.

Conclusion: Response accepted.

CITY OF MURRAY, IOWA

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

PART II: Findings Related to the Financial Statements - Continued

19-II-B Financial Reporting:

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements

Condition: Bank reconciliations were prepared each month; however, the balances in the City's general ledger were not properly reconciled to bank balances. The outstanding deposit and check listings generated by the financial system incorrectly included transactions that had already been cleared. Also, an independent review of the bank reconciliations was not performed, and for one month tested, petty cash was not included in the bank reconciliation. Adjustments were subsequently made to properly report the correct balances in the City's financial statements.

Cause: City policies do not require and procedures have not been established to ensure all balances and activity have been correctly reconciled to the City's financial records.

Effect: Lack of policies and procedures resulted in City employees not detecting the errors in the normal course of performing their assigned functions. As a result, all of the City's balances and activity have not been correctly reconciled to the City's financial records.

Recommendation: Outstanding deposit and check listings should accurately depict only the outstanding items. Variances, if any, should be reviewed and resolved timely. An independent person should review the City's bank reconciliations and document the review by signing or initialing and dating the monthly reconciliations. In addition, the City should include petty cash in the monthly bank reconciliations to ensure accurate and complete reporting of City cash balances.

Response: We will look into updating our procedures.

Conclusion: Response accepted.

CITY OF MURRAY, IOWA
Schedule of Findings and Questioned Costs
Year ended June 30, 2019

PART II: Findings Related to the Financial Statements - Continued

19-II-C Credit Cards:

Criteria: Internal controls over safeguarding assets constitute a process, effected by an entity's governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes included establishing policies addressing proper asset use and proper supporting documentation.

Condition: The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Cause: Adoption of a formal policy to regulate the use of credit cards has not been prioritized by the City Council.

Effect: Lack of written policies and procedures to regulate the use of credit cards could result in unauthorized and unsupported transactions and the opportunity for misappropriation.

Recommendation: The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls the credit cards, who is authorized to use the credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response: Although we have not established a formal written policy detailing specifics on the use of City credit cards, we have unwritten guidelines. We will review procedures and guidelines and establish a written policy.

Conclusion: Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

PART III: Findings and Questioned Costs For Federal Awards

CFDA Number 10.760: Water and Waste Disposal Systems for Rural Communities
Federal Award Year: 2018
U.S. Department of Agriculture

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF MURRAY, IOWA
Schedule of Findings and Questioned Costs
Year ended June 30, 2019

PART IV: Other Findings Related to Required Statutory Reporting

- 19-IV-A Certified Budget: Disbursements during the year ended June 30, 2019 did not exceed the amounts budgeted.
- 19-IV-B Questionable Disbursements: During the audit, we did not note any disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 19-IV-C Travel Expense: No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.
- 19-IV-D Business Transactions: In accordance with Chapter 362.5 of the Code of Iowa, no transactions between the City and the City officials and City employees were noted that represented conflicts of interest.
- 19-IV-E Bond Coverage: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- 19-IV-F Council Minutes: No transactions were found that we believe should have been approved in the Council minutes but were not. Although minutes of City Council meetings were properly published, they did not include total disbursements for each fund, a summary of all receipts or a reason for all claims. Also, the City has not documented in the minutes the approved salaries and wages for all City employees.

Recommendation: The City should publish City Council meeting minutes that include total disbursements for each fund, a summary of all receipts and a reason for all claims. The City should also document annually in the minutes the approved salaries and wages for all City employees.

Response: We will publish minutes as required.

Conclusion: Response accepted.

CITY OF MURRAY, IOWA

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

PART IV: Other Findings Related to Required Statutory Reporting - Continued

- 19-IV-G Deposits and Investments: The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, a resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation: The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

Response: We will adopt a written investment policy and depository resolution as required.

Conclusion: Response accepted.

- 19-IV-H Revenue Notes: No instances of non-compliance with the revenue note resolutions were noted.

- 19-IV-I Financial Condition: The following fund had a deficit balance at June 30, 2019.

Water Reserve Fund	\$	59,199
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Recommendation: The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response: The deficit fund balance will be eliminated during fiscal year 2020.

Conclusion: Response accepted.

- 19-IV-J Transfer Resolutions: In accordance with Chapter 545-2.1 of the Code of Iowa, all interfund transfers made on or after April 17, 2019 must have an approved transfer resolution stating the purpose for the transfer, name of the fund from which the transfer is originating, name of the fund into which the transfer is being received and the dollar amount being transferred. The City did not have approved resolutions for transfers made after April 17, 2019.

Recommendation: An approved resolution should have been made in accordance with Chapter 545-2.1 of the Code of Iowa.

Response: We will make sure to approve all transfers made in the future with a proper authorized resolution.

Conclusion: Response accepted.

* * *